

Exhibit 29_T

of the basis of these reimbursements will be carried out if the analysis uncovers such issues. The Ministry of Taxation has also announced that it cannot be ruled out that fraud has been committed through the bank programme.

Results

23. The National Audit Office of Denmark's investigation shows that so far SKAT has reported assumed fraud of DKK 9.1 billion out of the DKK 14.2 billion that was reimbursed through the form programme in the period 1 January 2012 - 5 August 2015. SKAT is in the process of going through the remaining DKK 5.1 billion that was reimbursed through the form programme. The Ministry of Taxation has announced that it is likely that the analysis will uncover assumed further fraud in addition to the DKK 9.1 billion that has been notified to SØIK so far.

At the beginning of 2016 the Ministry of Taxation will carry out an analysis of the reimbursements through the bank programme which is to uncover whether there is any risk of wrongful reimbursements. If the analysis uncovers such issues, SKAT will carry out a detailed control of the basis of such reimbursements. The Ministry of Taxation has announced that it cannot be ruled out that fraud has been committed through the bank programme.

2.2 SKAT's administration of reimbursement of dividend tax

24. The National Audit Office of Denmark has investigated whether SKAT's administration of reimbursement of dividend tax was satisfactory. We have reviewed SKAT's internal controls in that connection. Our basis is that adequate controls means procedures written down or otherwise established, verification of the information on which the reimbursement was based, adequate system support, clear division of responsibilities, supervision of the area and follow-up on critical audit reports and other indications of problems.

25. SKAT and the Ministry of Taxation have subsequently said that they find it very serious and deeply regrettable that fraud could be committed to the demonstrated extent. The Ministry of Taxation adds that with the knowledge of the area and the relating risk that SKAT and the Ministry of Taxation have today it is a fact that the control of the reimbursement of dividend tax should have been planned differently. The Ministry of Taxation adds that the fact that fraud is possible is a result of the risk-based approach chosen for the Danish direct and indirect tax model where the basis is that you trust that citizens and businesses generally pay the correct tax. In that connection the National Audit Office of Denmark refers to a report from 2011 by the panel of economic advisors (Dansk Økonomi, spring 2011) in which it is written that it is not the lack of wanting to commit fraud, but primarily because it is difficult to commit fraud that keeps the tax fraud level in Denmark down

26. After SKAT's first notification to SØIK of assumed fraud the Ministry of Taxation launched an internal investigation into the causes of the assumed fraud. SIR carried out the analysis. We have included the results from the internal analysis in this paragraph. Box 2 contains extracts from the analysis.

BOX 2. THE REASONS FOR THE CONTROL FAILINGS ACCORDING TO SIR'S ANALYSIS

Internal controls

- SKAT's routines for approving the reimbursement requests and the subsequent payment included an assessment of whether the applications for reimbursement were accompanied by the required documentation and a recalculation of the reimbursement amount to verify whether the amount had been calculated correctly under the relevant double taxation treaty.
- To a lesser extent SKAT assessed the fluctuations in the amounts of the reimbursements requests and identified the requests for reimbursement submitted by new, unknown intermediaries.
- SKAT verified to a limited extent whether the requests for reimbursement could be traced back to a shareholding and whether a request for reimbursement could be traced back to prior withholding of dividend tax.
- SKAT's follow-up on the accounting data in connection with the periodical approvals of accounts was inadequate. The interim financial statements that include dividend tax and reimbursement of dividend tax were approved with an unqualified opinion. SIR found that the periodical approvals of the accounts was not based on any systematic analytical verification of the accounting figures.

System support

- SKAT's IT systems do not contain any information about the ownership of shares in omnibus accounts.
- The registrations in the IT systems provide inadequate underlying data to carry out effective basic checks in connection with requests for reimbursement of dividend tax.

Division of responsibility

- Four areas in SKAT were responsible for the dividend tax process.
- The organisational structure did not determine the overall process ownership which resulted in an increased risk of inadequate supervision and assessment of the area, including an ongoing assessment of the control of the procedures.

SIR also concluded:

- That by an amendment to legislation in 2009 which resulted in two statutory orders that came into effect from 2012 (unlisted shares) and 2013 (unlisted shares), it became possible for SKAT to harmonise the deadlines for the companies' distribution of dividend and reporting of recipients of dividend. The legislative amendment made it possible for SKAT to compare the request for reimbursement with the received dividend and withheld dividend tax. SKAT has not yet implemented the reconciliation procedures for listed companies made possible in 2013.
- That SKAT did not follow up on audit reports and implement recommendations from SIR to ensure that dividend tax was not wrongfully reimbursed.

Source: SIR's analysis from 2015

An omnibus account is typically owned by a foreign bank and it contains Danish shares held by foreign shareholders. In such situations SKAT's IT systems do not contain any information about the individual holder of the shares, but only information to identify the owner of the omnibus account.

Checks of requests for reimbursement through the form programme

27. The DKK 9.1 billion that the assumed fraud amounts to so far was paid through the so-called form programme where the applicant submits a filled-out form to SKAT together with documentation when requesting reimbursement.

28. According to SIR's analysis, SKAT only checked whether the requests through the form programme were accompanied by the required documentation and whether the reimbursement amount applied for had been calculated correctly according to the relevant double taxation treaty. SIR's analysis shows that SKAT only checked to a limited extent whether the recipient of dividend held the shares when the distribution was made and whether dividend tax had been withheld before the payment of the reimbursement. SIR's analysis thus shows that SKAT paid the reimbursement amount applied for if the application had been filled out correctly and the required documentation had been submitted.

29. The National Audit Office of Denmark's investigation shows that in connection with an application for reimbursement through the form programme SKAT received a filled-out form accompanied by very different documentation of the applicant being entitled to reimbursement. The type of documentation of

the applicant's claim varied. For example, the documentation of ownership was not always a statement of account, but was instead prepared by the applicant itself. The ancillary text on the form does not specify the documentation required by SKAT. Moreover, SKAT had not drafted any guidelines to the SKAT employee about the type of documentation that should be submitted.

When going through SKAT's procedures the National Audit Office of Denmark established that in connection with the processing of the requests for reimbursement through the form programme SKAT did not have important key controls in place. One example of a lack of control is that SKAT did not verify whether the received form had been stamped by a competent authority so that it could be verified that the applicant was a taxpayer in the relevant country and thus subject to the double taxation treaty. Moreover, SKAT did not verify the shareholdings and whether the companies in question had distributed dividend to the applicant.

Box 3 sums up what SKAT did do in connection with the requests for reimbursement of dividend tax through the form programme.

BOX 3. SKAT'S PROCESSING OF REQUESTS FOR REIMBURSEMENT THROUGH THE FORM PROGRAMME

SKAT made the following checks when receiving a request for reimbursement of dividend tax:

- whether the required appendices had been enclosed
- whether there was a stamp from a foreign tax authority
- whether there was a double taxation treaty with the applicant's home country, and whether the amount applied for had been calculated correctly according to the double taxation treaty.

30. Box 4 contains examples of information that SKAT did not check, but which the National Audit Office of Denmark finds would be relevant to check when reimbursing dividend tax through the form programme.

BOX 4. EXAMPLES OF INFORMATION THAT SKAT DID NOT CHECK WHEN REIMBURSING DIVIDEND TAX

- whether the company had distributed dividend to the applicant in question
- whether dividend tax had been withheld from the applicant
- the authenticity of the appendices enclosed with the application, including information of the ownership of shares
- the authenticity of the stamp from the foreign tax authority.

31. The National Audit Office of Denmark establishes that SKAT reimbursed dividend tax without checking the validity of the information that it received. SKAT did not establish and write down processes for checking reimbursement of dividend tax. The National Audit Office of Denmark finds that the absence of such procedures increases the risk of inadequate administration.

Checks of requests for reimbursement through the bank programme

32. According to SIR's analysis, SKAT delegated the verification to three banks. SKAT depended on the three banks having established effective controls in the area. SIR found that SKAT did not follow up on whether the controls were effective. SIR's analysis also showed that SKAT did not transfer information from the requests for reimbursement through the bank programme to the internal IT system, and the consequence was that it was not possible for SKAT to make a comparison with any recipients of dividend that the companies had reported to SKAT. SIR concluded that it could not be ruled out that the recipient of dividend that received reimbursement through the bank programme also applied for reimbursement through the form programme.

33. The National Audit Office of Denmark's investigation also shows that SKAT did not check the contents of the requests for reimbursement that SKAT received from the three banks in the bank programme just as SKAT did not check whether dividend had been distributed on the shares in respect of which dividend tax was claimed back.

According to the agreement with SKAT, the three banks were only to check whether dividend had been paid to the foreign bank and that dividend tax had been withheld. According to the agreement, SKAT did not demand that together with the requests for reimbursement from foreign banks the three banks in the bank programme were to receive documentation of the ownership of the shares or of the shareholder being liable to pay tax in the country in question.

SKAT did not check whether the three banks in the bank programme carried out the agreed checks. SKAT made the reimbursements solely on the basis of the total calculations submitted by the banks. The three banks passed on the reimbursements to the foreign banks that subsequently made the final payment to the shareholders.

SKAT did not check either whether the applicants that received reimbursement through the bank programme also applied for reimbursement through the form programme, ie whether the withheld dividend was wrongfully reimbursed several times.

34. The National Audit Office of Denmark establishes that when reimbursing dividend tax through the bank programme SKAT did not know whether the foreign bank verified the ownership of the shares in

respect of which reimbursement was requested just as SKAT did not know whether the requested amount had been calculated according to the right double taxation treaty.

35. The Ministry of Taxation has stated that SKAT found that the bank programme could not be deemed to be the requisite legal framework for requests for reimbursement of dividend tax and consequently terminated the agreements with the three banks at the end of September 2015. SKAT's assessment of the programme is that there is no valid representation (the bank acts for the recipients of dividend) and that SKAT cannot delegate its control powers and its duty of control without any statutory authority. The shareholders that used the bank programme have now been asked to use the form programme.

System support of the controls

36. SIR's analysis showed that SKAT's IT support of the dividend area was inadequate to carry out effective basis control based on the registered data. A control of the basis included checking whether the request for reimbursement of dividend tax was based on an actual shareholding and whether dividend tax had been withheld.

37. The National Audit Office of Denmark's investigation shows that SKAT's IT system to process dividend tax used mandatory fields to be filled out such as name, address, dividend and date of resolution (regarding the distribution of dividend). With the exception of the requirement that the field "dividend" must contain numbers and that the date fields must observe a specific date format, SKAT did not make any requirements as to the contents of the fields. The result is a risk of non-uniform and incomplete registration of reimbursement of dividend tax to foreign recipients of dividend which undermined the possibility of checking the requests for reimbursement.

38. SKAT's IT system to process dividend tax had a check feature that notified the SKAT employee if, in respect of the specific distributing company, an amount exceeding the total payment of dividend tax was claimed back. The National Audit Office of Denmark's investigation shows that the check feature did not work in respect of some companies from 2013 and until July 2015. In that period SKAT did thus not verify whether there was actually any "cover" of the reimbursed dividend tax in respect of these companies. According to SKAT, no compensating checks of the reimbursements were carried out in this period when the control did not work. SIR's analysis showed examples of SKAT having reimbursed dividend tax in respect of some companies exceeding the tax paid by the company. For example, 111% of the dividend tax paid for one single company was reimbursed in 2014.

39. The National Audit Office of Denmark finds that SKAT's IT support of the control of reimbursement of dividend tax was completely inadequate. The result has been that the input data were not checked and there were examples of more dividend tax having been reimbursed than the dividend tax that the company had paid.

Division of responsibility

40. SIR's analysis showed that four areas were involved in the administration of dividend tax and the reimbursement of dividend tax which meant that there was no overall process ownership in the organisation. According to SIR, this contributed to the supervision of the area being inadequate and that the checks of the reimbursement of dividend tax were not evaluated.

41. The National Audit Office of Denmark's annual audit for the financial year 2015 also shows that in 2015 SKAT did not make sure either that there was a clear and unambiguous division of responsibilities and distribution of tasks between the business areas and the underlying processes. Neither did SKAT have any procedures or internal controls written down or otherwise in place regarding the overall dividend tax process.

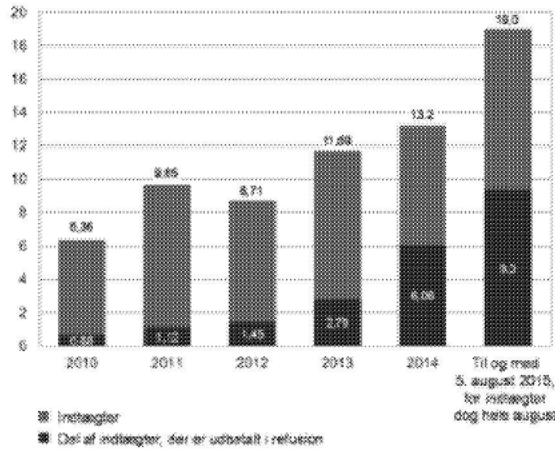
42. The National Audit Office of Denmark's investigation also shows that in 2013 and 2014 SKAT's executive board received performance-related pay for their areas of responsibility whereas individual employees working with the reimbursement of dividend tax received a one-off payment. However, the reasons for performance-related pay and one-off payments are a more general nature and are not based on processing a large number of requests for reimbursement.

Supervision

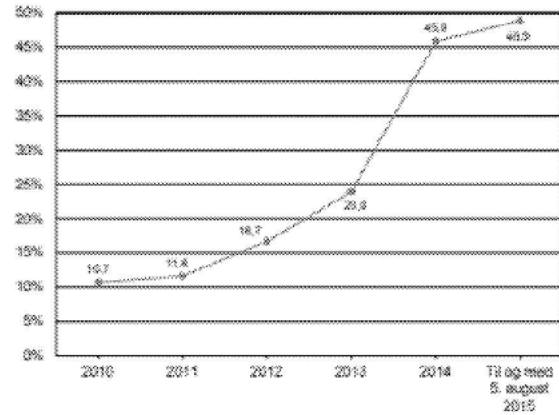
43. The National Audit Office of Denmark's investigation shows that SKAT did not exercise basic supervision as part of the control of reimbursements of dividend tax. The National Audit Office of Denmark finds that basic, simple supervision would have indicated the need for a detailed analysis of the area. Figures 3-6 show the developments in the reimbursements of dividend tax in the period 1 January 2010 - 5 August 2015.

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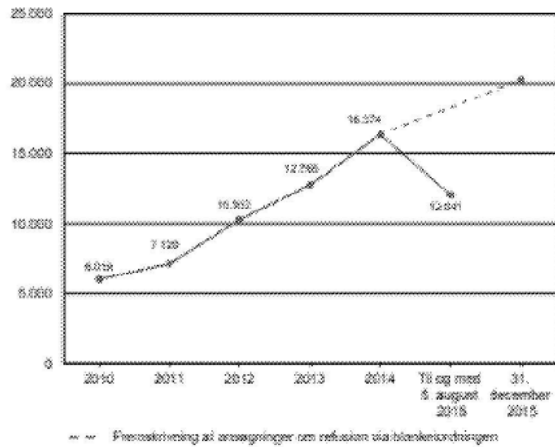
Figur 3. Udvikling i indtægter og refusion af udbytteskat (Mia. kr.)



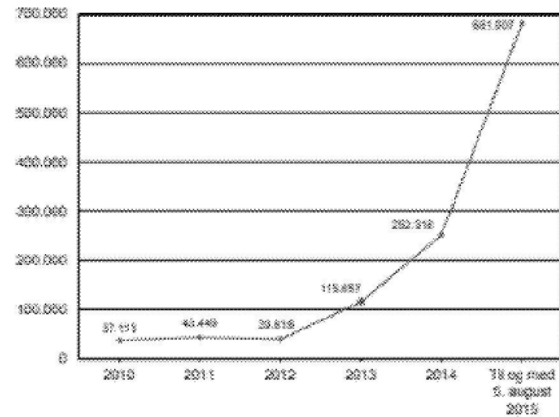
Figur 4. Refusionsprocent



Figur 5. Udvikling i antallet af ansøgninger via blanket-ordningen



Figur 6. Udvikling i gennemsnitligt ansøgt beløb via blanket-ordningen (Kkr.)



Kilde: Rigsrevisionen på baggrund af SIR's undersøgelse fra 2015 og oplysninger fra Skatteministeriet. Fremskrivningen i figur 5 er Rigsrevisionens egen beregning.

Figure 3 shows that the total reimbursements of dividend tax (both through the bank programme and the form programme) in the period increased from DKK 0.68 billion to DKK 9.3 billion which is equal to an increase of approximately 1,300% whereas the income from dividend tax increased from DKK 6.4 billion to DKK 19 billion in the same period which is equal to an increase of approximately 200%.

Figure 4 shows that the reimbursement percentage which is the ratio between the income from the dividend tax and the reimbursements of dividend tax increased significantly in the period 1 January 2010 - 5 August 2015. The reimbursement percentage increased by approximately 11% in 2010 to approximately 49% in the period. The reimbursement percentage includes the total reimbursements of dividend tax, ie both the bank programme and the form programme. The figure also shows that in particular from 2013 to 2014 the reimbursement percentage increased significantly from approximately 24% to approximately 46%.

Figure 5 shows that the number of requests for reimbursements of dividend tax through the form programme increased from 6,019 in 2010 to 16,374 in 2014. In the period 1 January 2010 - 5 August 2015 alone 12,041 requests were received. The dotted line is a projection of the development for all of 2015 based on the average number of applications received per day from 1 January to 5 August 2015 which illustrates how the development in the number of applications received through the form programme could have continued if SKAT had not received information from the public about assumed fraud and reacted by suspending the disbursements.

Figure 6 shows that the average amount that the shareholders claimed back through the form programme increased significantly from DKK 37,113 in 2010 to DKK 681,007 in 2015. It is an increase of approximately 1,700%. The National Audit Office of Denmark adds that SKAT's first notification to SØIK covered 2,120 reimbursement payments of DKK 6.2 billion in total, see paragraph 2.1. For these requests it is the equivalent of an average of almost DKK 3 million having been reimbursed for each request and the claimed-back amounts in these requests were thus significantly bigger than the average claimed-back amount in respect of all requests.

44. Based on figures 3-6, the National Audit Office of Denmark finds that very simple analyses of the reimbursements of dividend tax, based on the data that SKAT already had, clearly indicated the need for a thorough analysis of the development in the reimbursements of dividend tax and its causes. However, the National Audit Office of Denmark establishes that not even the big increase in the number of requests in the analysis period made SKAT look into the development in the reimbursements of dividend tax in any detail. In June 2015, SKAT informed SIR that SKAT was in the process of training new employees to process the increasing number of requests for reimbursements of dividend tax.

In this connection the Ministry of Taxation has stated that the National Audit Office of Denmark points out in negative terms that SKAT trained new employees. The Ministry of Taxation adds that objectively SKAT adjusted the resources because of the increased level of activity regarding requests for reimbursements. Moreover, the number of requests included in the fraud is only a small part of the total number of requests. In this connection the National Audit Office of Denmark notes that seen in isolation the National Audit Office of Denmark does not point out in negative terms that SKAT trained new employees.

But the National Audit Office of Denmark finds that the big increase in the number of applications compared to the significant increase in the total reimbursements should have made SKAT look into the area more closely. The National Audit Office of Denmark has established that SKAT did not carry out such an investigation, but that SKAT trained new employees to be able to process the increasing number of requests without thinking about the underlying reasons.

SKAT following up on SIR's 2013 audit report

45. The National Audit Office of Denmark's investigation shows that in 2013 SKAT received an audit report from SIR. The report contained eight comments that SIR recommended that SKAT followed up on. The comments have been coloured to indicate their importance. The report contained five red, two yellow and one green comment. In the report SIR recommends that "SKAT protects itself more from wrongful reimbursement of dividend tax". The comment is in yellow, which, according to the report, is a significant weakness that is found to be a problem that should be handled.

SKAT has a procedure for following up on audit reports where in a follow-up protocol SKAT reports the actions that will be taken in SKAT to follow up on the criticism and a deadline for finalising the action. The follow-up protocol is presented to SKAT's executive board before it is sent to the Ministry of Taxation for its information.

46. Table 1 contains extracts from SKAT's follow-up protocols. The extracts show how SKAT followed up on SIR's comment in the audit report from 2013 to protect itself better against wrongful reimbursement of dividend tax.

Table 1. Extract from SKAT's follow-up protocols regarding SKAT's work of protecting itself better against wrongful reimbursement of dividend tax		
Time	Action in SKAT	Deadline
Q2 and Q3 2013	SKAT will clarify whether it is possible to implement further checks. A working group will be established.	31 December 2013
Q4 2013	The working group has started to describe the work and the areas of responsibility. The work in this regard is expected to be finished at the end of January 2014.	30 April 2014

TRANSLATION

Q1 2014	SKAT will clarify whether it is possible to implement further checks.	Deadline is postponed to 30 September 2014.
Q2 2014	SKAT will clarify whether it is possible to implement further checks.	Deadline postponed to 30 September 2014.
Q3 2014	SKAT will clarify whether it is possible to implement further checks.	Deadline is postponed to 31 December 2014.
Q4 2014	The procedure for reimbursement of dividend tax is being drafted through SKAT's participation in the OECD project TRACE.	The work relating to the comment comes to an end.

***The OECD project TRACE
(Treaty Relief and Compliance Enhancement)***
The object of the project was to set up a system where net withholding of dividend tax is made automatically under the relevant double taxation treaty in connection with the distribution of dividend to foreign shareholders. Reimbursement is not made in connection with net withholding of dividend tax.

Table 1 shows that in 2013 SKAT acknowledged that there was a need to clarify whether it is possible to implement further checks to protect itself better against wrongful reimbursement of dividend tax. But the deadline for this work was postponed several times before it came to an end because of SKAT's participation in the OECD project TRACE.

47. The National Audit Office of Denmark establishes that the executive board of SKAT approved that the work of improving the checks of the reimbursement of dividend tax was stated as ended in the follow-up protocol at a time when the time schedule had been exceeded by more than one year without SKAT having made any amendments to the existing control system for reimbursement of dividend tax. The work was ended by only referring to the Danish participation in the OECD project TRACE. The Ministry of Taxation has stated that the OECD published a finished TRACE model in February 2013, but the model has not yet been implemented in Denmark or in any other country. Against this background it is

the National Audit Office of Denmark's assessment that in reality SKAT did not work with the comment from SIR to improve the control of the reimbursement of dividend tax.

SKAT's handling of information from the public about assumed fraud

48. The National Audit Office of Denmark's investigation shows that SKAT received information from the public about assumed fraud. As a consequence, SKAT suspended the reimbursements of dividend tax on 6 August 2015. The National Audit Office of Denmark establishes that in the period from when SKAT received information from the public about assumed fraud until the reimbursement of dividend tax was suspended an additional DKK 3.2 billion was reimbursed. Because of SØIK's investigations, the National Audit Office of Denmark has not been able to communicate the information that SKAT received from the public and how SKAT and the Ministry of Taxation dealt with this information of assumed fraud.

The National Audit Office of Denmark establishes that SKAT reimbursed dividend tax of DKK 3.2 billion after the date when SKAT received information from the public of the assumed fraud and until the reimbursement was suspended. The Ministry of Taxation announced that based on the information which came to light during the summer of 2015 SKAT only had the necessary basis for stopping the reimbursement on 6 August 2015. The Ministry of Taxation has also stated that under section 69B of the Danish Withholding Tax Act SKAT is under an obligation to reimburse any withheld excess amount of dividend tax and that there must be very special reasons before all reimbursements are suspended. The National Audit Office of Denmark adds that when SKAT received information from the public of the assumed fraud SKAT knew that the number of requests and the total reimbursed amount had increased significantly, and SKAT also knew that the internal controls were inadequate.

The National Audit Office of Denmark consequently finds that SKAT should have looked into the area in more detail before making any further reimbursements. The National Audit Office of Denmark does not find that a detailed investigation before additional reimbursements were made would be in conflict with section 69B of the Withholding Tax Act. Section 69B of the Withholding Tax Act stipulates that SKAT has six months to reimburse any withheld excess amount of dividend tax from the date when the basis of the reimbursement has been sufficiently proved, after which date interest would be added. This provision was incorporated into the Withholding Tax Act in June 2012.

Results

49. The National Audit Office of Denmark's investigation shows that SKAT's administration of reimbursement of dividend tax, both through the bank programme and the form programme, was completely inadequate in the period of the investigation and that the management did not focus on the area.

SKAT did not have any procedures written down or otherwise established for what was to be checked in connection with the processing of the requests for reimbursement of dividend tax and how it was to be

TRANSLATION

done. SKAT did not check basic information in the requests, for example the ownership, and whether the applicant's dividend tax had been withheld. SKAT had insufficient system support that made checking basic information impossible. It means that SKAT did not make sure that there was a clear and unambiguous division of responsibilities and distribution of tasks between the business areas and the underlying processes regarding the administration of dividend tax and the reimbursement of dividend tax.

According to SKAT's own assessment, SKAT delegated its control powers and its duty of control through the bank programme without any statutory authority, and in SKAT's assessment the bank programme was consequently not legal. SKAT terminated the agreement with the three banks at the of September 2015.

SKAT did not check whether the three banks in the bank programme carried out the agreed checks. Furthermore, SKAT did not check the contents of the requests for reimbursement that SKAT received from the three banks in the bank programme, just as SKAT did not check whether dividend had been distributed in respect of the shares for which reimbursement was applied. Finally, SKAT did not check whether shareholders that had received reimbursement through the bank programme also applied for reimbursement through the form programme, ie whether the withheld dividend was wrongfully reimbursed several times.

SKAT did not follow up on a critical audit report from 2013 in which one of SIR's recommendations was that SKAT was to protect itself better against wrongful reimbursement of dividend tax. Finally, SKAT did not supervise the area and carry out completely basic analyses as part of such supervision that would definitely have pointed to the need for a thorough analysis of the development in the reimbursement of dividend tax. On the contrary, when SKAT was informed by a member of the public of assumed fraud SKAT was in the process of training new employees to process the increasing number of requests for reimbursements of dividend tax without looking into the cause of such increase more closely.

SKAT reimbursed dividend tax of DKK 3.2 billion after the date when SKAT received information from the public of the assumed fraud and until the reimbursement was suspended. The Ministry of Taxation announced that based on the information which came to light during the summer of 2015 SKAT only had the necessary basis for stopping the reimbursement on 6 August 2015. The National Audit Office of Denmark adds that when SKAT received information from the public of the assumed fraud SKAT knew that the number of requests and the total reimbursed amount had increased significantly, and SKAT also knew that the internal controls were inadequate. The National Audit Office of Denmark finds that SKAT should have looked into the area more closely before making any further reimbursements.

2.3 The supervision by the Ministry of Taxation

50. The National Audit Office of Denmark has investigated whether the Ministry of Taxation's supervision of SKAT's administration of reimbursement of dividend tax was adequate. Our basis is that as part of its ordinary supervision the Ministry Taxation has the overall responsibility of managing and supervising SKAT. The tasks that the Ministry of Taxation carried out in respect of the accounts as the responsible authority for SKAT, among others, are described in "Ministry instructions for the Danish Ministry of Taxation". According to the instructions, the Ministry of Taxation is to monitor the income from direct and indirect taxes as part of its ordinary supervision. It is written that the Ministry of Taxation is to monitor whether the income is reasonable.

Our basis has also been that satisfactory supervision includes that the Ministry of Taxation reacted to critical audit reports and responded to other information indicating problems or risks in a specific area. According to the Ministry Instructions, SKAT's administration of expenses and income must be planned considering the specific situation, ie materiality and risk, as well as the amount and the type of the various income and expenses. It is also written that as the responsible authority the Ministry of Taxation is responsible for making sure that the administration within the group of the Ministry of Taxation is adequate. If the Ministry of Taxation knows of an area involving risk, the Ministry should thus make sure that there are the resources and skills for effective supervision until the issues have been rectified. Our basis has also been that the Ministry of Taxation obtained knowledge of SKAT's administration to such an extent that the Ministry was able to exercise its overall management and supervision responsibility for SKAT.

In its group management strategy for 2014-2017 the Ministry of Taxation identified SKAT as an authority with a need for extended supervision and management, one of the reasons being the many identified risks that can have very serious consequences and also the great complexity of the performance of tasks. It thus appears from the National Audit Office of Denmark's report to the Danish Public Accounts Committee on the Ministry of Taxation's management control that after the establishment of the department of the Ministry in 2013 the Ministry of Taxation identified SKAT as an area with great risks where there was a need for extended supervision.

The general supervision by the Ministry of Taxation

51. The Ministry of Taxation has stated that as part of its general supervision it monitors the income from direct and indirect taxes on an ongoing basis which, as mentioned, is also written down in the Ministry Instructions. One of the bases of the monitoring is the Ministry of Taxation's quarterly approvals of SKAT's accounts. The Ministry of Taxation's quarterly approvals of accounts are based on SKAT's approvals of its own quarterly financial statements, SKAT's monthly approvals of accounts and information

TRANSLATION

from the monthly income lists that the Ministry of Taxation prepares on a monthly basis to the Danish Fiscal Affairs Committee and the Finance Committee of the Danish Parliament.

52. The National Audit Office of Denmark's investigation shows that neither the Ministry of Taxation's quarterly approvals of accounts nor SKAT's approvals of its own quarterly financial statements in respect of section 38 contained information contributing to the monitoring of the dividend tax area.

The income list is prepared once monthly to the Danish Fiscal Affairs Committee and the Finance Committee of the Danish Parliament and is subsequently made available on the Ministry of Taxation's website.

The income list contains financial information about the net income from direct and indirect taxes for the month in question. The list of income also contains information about the income in the year so far and contains a comparison with the same time the year before.

SKAT's monthly approvals of accounts

53. The Ministry of Taxation receives monthly approvals of accounts from SKAT containing accounting explanations of selected fluctuations in items, including for example dividend tax. According to the Ministry of Taxation's business instructions in respect of section 38, SKAT's management was to assess in connection with the approval of SKAT's monthly accounts whether the income and expenses seemed reasonable. As for any deviations examined in connection with the probability check, the explanations were to be substantiated or be attached.

The National Audit Office of Denmark's investigation shows that the Ministry of Taxation was made aware through SKAT's monthly approvals of accounts that the dividend tax reimbursement expenses were increasing dramatically. In May 2015, for example, DKK 4.2 billion was reimbursed which was DKK 2.8 billion more than the same month the year before, the equivalent of an increase of 200%. In a comment on the approval of the accounts for May 2015 SKAT explained that the reason for a part of the increase was US pension funds purchasing shares in Danish companies.

SKAT also made the Ministry of Taxation separately aware through the approval of the accounts for June 2015 of an increase in the reimbursements of dividend tax and that year-to-date in June 2015 DKK 6.6 billion had been reimbursed compared to DKK 4.1 billion year-to-date in June 2014 and DKK 1.7 billion

year-to-date in June 2013. Also in this approval of the accounts a part of the increase was explained by US pension funds purchasing shares in Danish companies.

The Ministry of Taxation did not inquire about and did not ask for documentation of this explanation from SKAT despite the fact that the same explanation was used several times in 2014 and 2015 to explain the increase in the reimbursement of dividend tax. The National Audit Office of Denmark's investigation shows that SKAT did not have any documentation of this explanation of cause that subsequently turned out to be incorrect. The National Audit Office of Denmark can thus establish that neither SKAT nor the Ministry of Taxation found any reason to investigate, not even before the discovery of the assumed fraud, whether the explanation of the US pension funds' buying shares in Danish companies could explain the increase in the reimbursement of dividend tax.

54. Box 5 contains extracts from the approvals of accounts for May and June 2015.

BOX 5. EXAMPLES OF INFORMATION ABOUT REIMBURSEMENT OF DIVIDEND TAX IN THE MONTHLY APPROVALS OF ACCOUNTS

May 2015

The reimbursed dividend tax for the period amounts to DKK 4.2 billion, which is an increase of DKK 2.8 billion compared to the same period last year when the reimbursed dividend tax amounted to DKK 1.4 billion. A part of the increase can be attributed to more US pension funds purchasing shares in Danish companies. As they are not to pay Danish tax, the purchases entail large reimbursements of dividend tax.

June 2015

There is an increase year-to-date in the reimbursement of dividend tax as is the case for the ordinary income regarding dividend tax. Reimbursed dividend tax thus amounted to DKK 6.6 billion at the end of June 2015 compared to DKK 4.1 billion at the end of June 2014 and DKK 1.7 billion at the end of June 2013. A part of the increase can be attributed to more US pension funds purchasing shares in Danish companies. As they are not to pay Danish tax, the purchases entail large reimbursements of dividend tax.

Source: SKAT's approvals of accounts for May and June 2015.

55. The Ministry of Taxation subsequently stated that the increase in the reimbursement in 2015 must be viewed in the light of the dividend tax income in the period April-June 2015 doubled compared to the same period the year before. This can also be seen from the approvals of accounts, for example for April 2015, when the payments amounted to DKK 10.4 billion which is DKK 5.8 billion more than the same

TRANSLATION

month the year before. The National Audit Office of Denmark establishes that the dividend tax income in the period 1 January 2010 - 5 August 2015 increased from DKK 6.4 billion to DKK 19 billion, the equivalent of an increase of approximately 200%. By comparison the reimbursements of dividend tax increased from DKK 0.68 billion in 2010 to DKK 9.3 billion in 2015 (1 January 2015 - 5 August 2015), the equivalent of an increase of approximately 1,300%, see paragraph 2.2.

56. The National Audit Office of Denmark finds that based on the approvals of accounts from 2014 and 2015 that mentioned the increase in the reimbursement of dividend tax the Ministry of Taxation should have looked into the development in the reimbursement of dividend tax. The National Audit Office of Denmark establishes that the Ministry of Taxation did not inquire about or ask for documentation from SKAT of the explanation that US pension funds bought shares in Danish companies despite the fact that the explanation was repeated several times.

57. The Ministry of Taxation has stated that the criticism seems out of proportion as the Ministry received approved accounts from SKAT without any comments and with an explanation of the deviations which is why the approvals of accounts did not give the impression of any problems. The National Audit Office of Denmark finds that it is unsatisfactory that SKAT gave an incorrect and undocumented explanation of the increase in reimbursement of dividend tax. The National Audit Office of Denmark adds in this connection that the Ministry of Taxation receives the monthly approvals of accounts from SKAT as part of the Ministry's supervision and that the Ministry must approve the accounts based on the underlying approvals of accounts and any comments. The National Audit Office of Denmark finds on such basis that the Ministry of Taxation should have asked for documentation of the explanation or inquired about it, particularly as the same explanation is repeated several times where there is an increase in the reimbursement of dividend tax.

The Ministry of Taxation's monthly list of income to the Fiscal Affairs Committee and the Finance Committee of the Danish Parliament

58. The Ministry of Taxation prepares monthly lists of income to the Fiscal Affairs Committee and the Finance Committee of the Danish Parliament on the basis, *inter alia*, of SKAT's monthly approvals of accounts. It appears from the Ministry of Taxation's "Description of the procedures in the department of the Ministry for tasks described in SKAT's business instructions in respect of section 38" that comments on the list of income are to be made to the extent required by special circumstances, including from SKAT's monthly approvals of accounts.

The Ministry of Taxation has stated that the procedures for approving the list of income consisted of a "visual check" in four control links before the list of income was sent to the Fiscal Affairs Committee and the Finance Committee of the Danish Parliament. Only then were the dividend tax figures approved by

TRANSLATION

the person responsible for the relevant area of income. The entire list of income was then approved by the chief advisor, by the head of the department and finally by the head of the department of the Ministry.

The National Audit Office of Denmark's investigation shows that the Ministry of Taxation did not have any guidelines for the control on which the approval of the lists of income was based. The Ministry of Taxation has stated that the control was a "visual check" of whether the development in the items in the list of income seemed plausible. The development was assessed by comparing the net income in the month from dividend tax with the net income in the same month the year before and the total net income year-to-date compared to the preceding year. The Ministry of Taxation has stated that it is the Ministry's assessment that it would not be possible in practice through the ongoing supervision of the State's income in general to identify an increase in fraud.

59. Based on the figures from the Ministry of Taxation's monthly lists of income the National Audit Office of Denmark has compared the monthly net income from dividend tax in the period January 2012 - December 2014, see figure 7, and the total net income year-to-date for 2014 as compared to 2013, see figure 8.

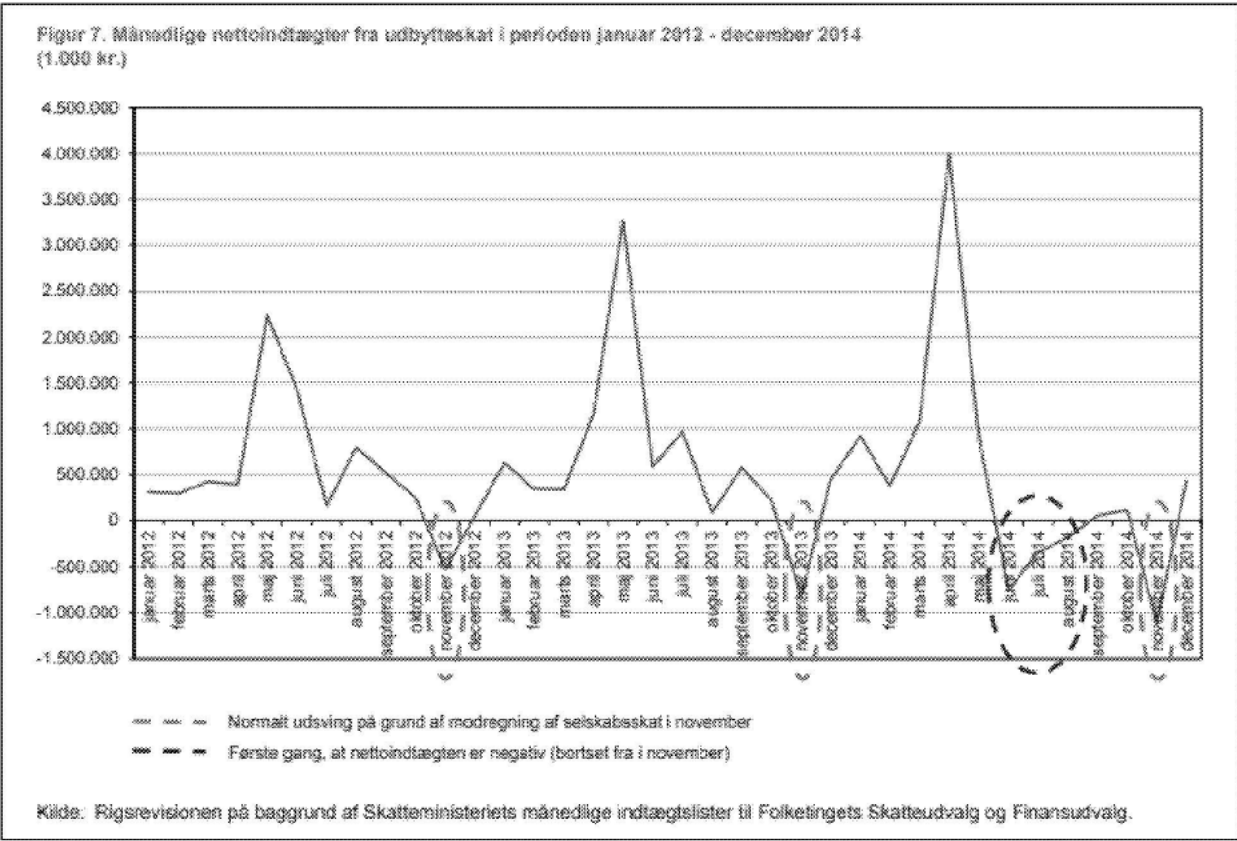


Figure 7 shows that there were large fluctuations in the net income during the year and that in November 2012, 2013 and 2014 the net income was negative. The Ministry of Taxation has stated that the reason for this is that corporation tax is set off each year in November. It also appears from the figure that in June 2014 it was the first time that there was negative net income from dividend tax and this was the case in the next two subsequent months.

TRANSLATION

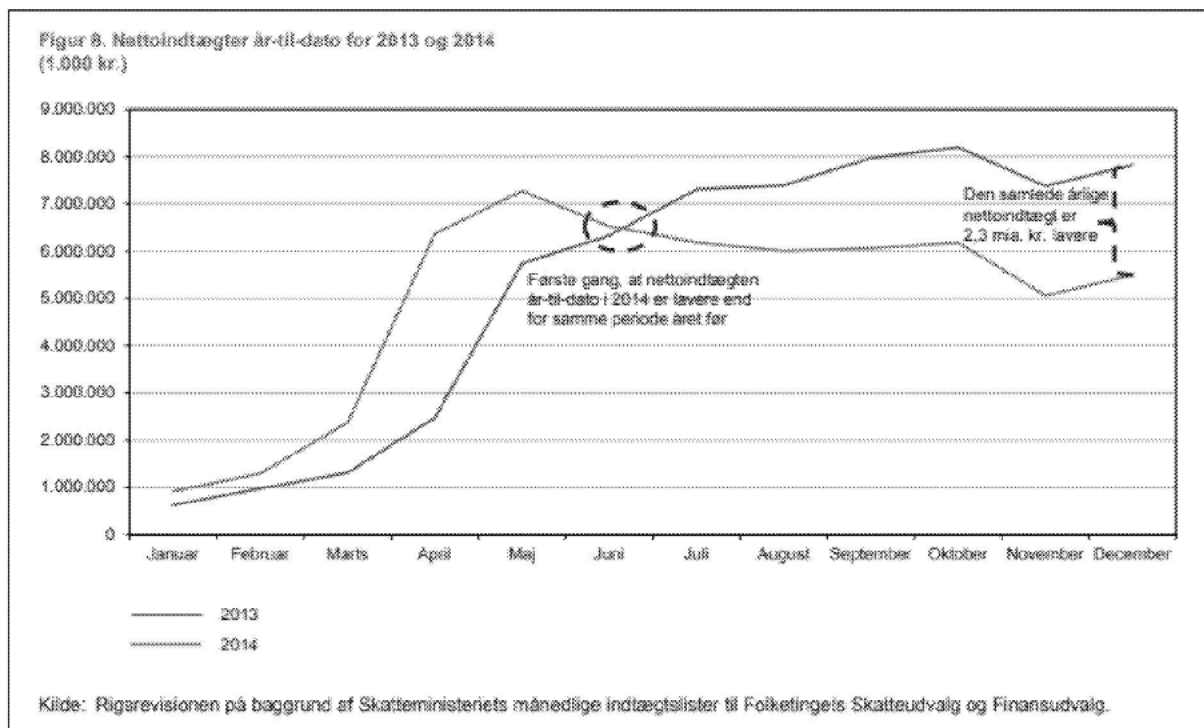


Figure 8 shows that the total net income from dividend tax in June 2014 was lower than in the same month in 2013 and that this development continued in the remaining six months of 2014. The total net income in 2014 was thus DKK 2.3 billion lower than in 2013. The National Audit Office of Denmark establishes that the total net income in 2014 was lower than in 2013 despite the fact that the income from dividend tax increased from DKK 11.7 billion in 2013 to DKK 13.2 billion in 2014.

60. The National Audit Office of Denmark establishes that as part of its internal approval of the lists of income the Ministry of Taxation did not ask for a detailed analysis even though there were several months in 2014 when the net income from dividend tax was directly negative. In addition, there was a negative development in the net income from dividend tax in 2014 compared to 2013 when the net income was lower in seven consecutive months and the total net result for 2014 was DKK 2.3 billion lower than in 2013 despite the income from dividend tax having increased in the same period. The National Audit Office of Denmark knows that negative net income for one or several months is not by itself evidence of fraud but finds it natural that in its supervision the Ministry of Taxation should ask for an explanation for such a significant negative development.

61. The National Audit Office of Denmark's investigation shows that in the period of the investigation the Ministry of Taxation commented on the monthly lists of income six times. Comments were made five

TRANSLATION

times in 2010 and once in 2013, ie once in the period when the fraud is assumed to have taken place. According to the comment from 2013, the proceeds from dividend tax for May 2013 included an amount of DKK 1.3 billion from about 4,500 entries that had been received, but had not been recognised as income.

62. The National Audit Office of Denmark establishes that the Ministry of Taxation only made a "visual check" of whether the development in the items in the list of income seemed plausible. The Ministry of Taxation has stated that additional information from SKAT was requested in connection with comments in the approval of accounts, or if a development was deemed not to be plausible. The National Audit Office of Denmark is of the opinion that in connection with the approval of the monthly lists of income the Ministry of Taxation should have asked for completely fundamental analyses that could explain the development in the net income. Such analyses would definitely have pointed to the need for a thorough analysis of the development in the reimbursement of dividend tax, see paragraph 2.2.

The National Audit Office of Denmark establishes that in connection with the approval of the monthly lists of income the Ministry of Taxation did not find that there was anything special in the development in the reimbursement of dividend tax that was to result in a comment on the list of income. The National Audit Office of Denmark also establishes that even though it appears from three of SKAT's monthly approvals of accounts from 2014 that the reimbursements of dividend tax were increasing, the Ministry of Taxation did not, viewed in the light of these facts, have any comments on the lists of income in 2014 or asked for analyses.

Indications of problems with reimbursement of dividend tax

63. The National Audit Office of Denmark has investigated whether the Ministry of Taxation received other indications of problems with reimbursement of dividend tax, including critical audit reports, early warnings and other types of written approaches. In that connection we have investigated whether as part of its supervision the Ministry of Taxation reacted to such indications.

64. The National Audit Office of Denmark's investigation shows that in the period of the investigation the Ministry of Taxation received several indications of problems with reimbursement of dividend tax. Figure 9 shows the written indications that the Ministry of Taxation received in the period 1 January 2010 - 5 August 2015.

Early warnings

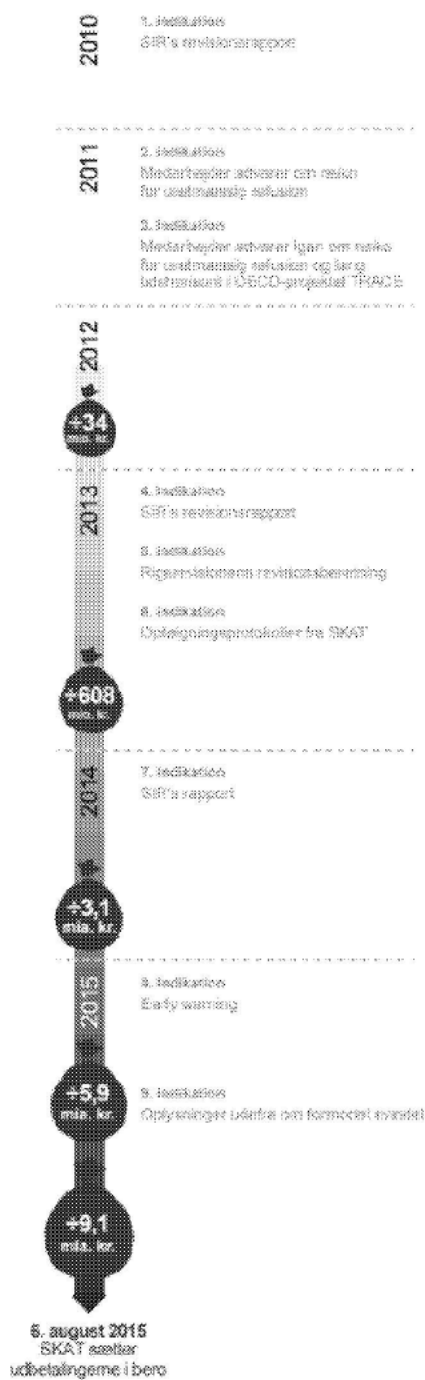
The Ministry of Taxation, SKAT and the Danish Tax Appeals Agency have an early-warning system with a clear procedure for how warnings are to be made internally about loopholes in legislation or the like that entail a threat

TRANSLATION

to the Danish Treasury. Early warnings are used in situations of organised abuse of tax law where tax rules are used contrary to the legislature's intention, or where decisions are made contrary to practice or the rules which affect a large number of matters. The early-warning system was introduced to ensure clear allocation of responsibility in respect of any warnings to make sure that all warnings were treated and dealt with quickly.

TRANSLATION

Figur 8. Indikationer til Skatteministeriet på problemer med refusion af udbytteskat i perioden 1. januar 2010 - 5. august 2015



Kilde: Rigsrevisionen.

Figure 9 shows that in the period 1 January 2010 - 5 August 2015 the Ministry of Taxation received several written indications of problems in connection with reimbursement of dividend tax. The figure also shows the assumed fraud calculated thus far which accumulated in the period 2012 - 5 August 2015.

65. The Ministry of Taxation has stated that figure 9 is misleading because it gives the impression that the level of knowledge in the Ministry was increasing. The Ministry of Taxation has also stated that indications of a risk of wrongful reimbursements does not mean that there were any indications of a risk of specific and systematic fraud. The Ministry of Taxation found that the information came from many different sources whose connection was not immediately obvious at the times in question.

The National Audit Office of Denmark adds in this connection that it is correct that figure 9 shows that the Ministry of Taxation received several indications of problems with reimbursement of dividend tax in the period 1 January 2010 - 5 August 2015 and that the National Audit Office of Denmark finds that it is a factor of decisive importance that the Ministry reacts to knowledge from several different sources accumulated over time and compares such knowledge with the information that the Ministry has through its ordinary supervision. The National Audit Office of Denmark also agrees that the individual indications do not necessarily point to specific and systematic fraud but problems with reimbursement of dividend tax.

First indication - SIR's 2010 audit report

66. In May 2010, SIR submitted an audit report regarding reimbursement of dividend tax. According to the audit report, it was the head of the department of the Ministry of Taxation at the time who asked SIR at the end of October 2009 to audit the reimbursement scheme. The reason was that in the period 2006-2008 very low or directly negative net proceeds for dividend tax were registered in respect of foreign shareholders, ie the reimbursements of dividend tax to foreign shareholders almost equalled or exceeded the dividend tax that had been withheld in total in respect of such foreign shareholders. It appears from the presentation to the head of the department from October 2009 that it could not be ruled out that too much dividend tax was being reimbursed. It also appears from the presentation that SKAT was unable to check whether the taxpayers applying for reimbursement had not already received reimbursement once, meaning that they were reimbursed dividend tax several times. Finally, it appears from the presentation that previous reports from *Told- og Skatteregion København* in 2000 and from SIR in 2005 as well as a memorandum from an internal working group in SKAT in 2007 pointed to problems with reimbursement of dividend tax.

In the audit report from 2010 SIR does not deal directly with the problem of the low or directly negative net proceeds and does not take a position on whether it could be fraud or another type of wrongful reimbursement. Instead it is written in the report that there was disagreement as to whether the data used

by SKAT could ensure a credible calculation of the net proceeds from dividend tax regarding foreign shareholders.

In the 2010 audit report SIR points to a number of shortcomings and problems regarding the controls of the reimbursement of dividend tax. Box 6 contains extracts from the report.

BOX 6. MESSAGES IN SIR'S 2010 AUDIT REPORT

In the 2010 audit report SIR points to:

- SKAT not checking whether the dividend tax that the companies paid corresponded to the dividend tax claimed back by the recipients of dividend;
- SKAT being able to reimburse dividend tax before the tax had been paid/reported to SKAT;
- SKAT only checking whether the form had been filled out correctly before reimbursement was made;
- SKAT not checking whether the shares in respect of which dividend tax was claimed back were actually owned;
- SKAT not checking whether the shareholder was actually liable to pay tax in a country having a double taxation treaty;
- the responsibility of SKAT's procedure to deal with dividend taxation being allocated between several process owners and that the general responsibility for the entire process had not been defined;
- no follow-ups having been made regarding three previous investigations from 2000, 2005 and 2007 that suggested problems with reimbursement of dividend tax.

Source: SIR's 2010 audit report.

67. The problem of SKAT reimbursing dividend tax before the tax had been reported/paid to SKAT was solved on the Ministry of Taxation's initiative by a legislative amendment from 2009 that resulted in two statutory orders that came into force in 2012 and 2013 respectively. The amendment entailed that the deadlines for declaring and reporting dividend were harmonised.

TRANSLATION

But the above legislative amendment with statutory orders did still not meet a number of the challenges that SKAT had regarding reimbursement of dividend tax, including controls of the requests for reimbursement regarding shares in omnibus accounts. In its analysis from 2015 SIR assessed based on a random check that the majority of Danish shares held by foreign shareholders were kept in omnibus accounts, ie asset management accounts. In such situations SKAT does not have any information about the individual holder of the shares, but only information about the owner of the account that is specified as the recipient of the dividend. The result was that the legislative amendment, etc did not meet the challenge of controls of the requests for reimbursement regarding the majority of the shares held by foreign shareholders.

The Ministry of Taxation has stated that the Ministry was aware of this problem which was one of the reasons why in 2010 the Ministry decided to participate in the OECD project TRACE. The National Audit Office of Denmark's investigation shows that the decision to participate in the project was presented to the head of the department of the Ministry in February 2010. According to the presentation, Denmark was very interested in participating as the Danish scheme for reimbursement of dividend tax did not seem to function properly.

68. The National Audit Office of Denmark establishes that the Ministry of Taxation's solution to SKAT's problems regarding checking the ownership of Danish shares held by foreigners in omnibus accounts was participation in a project that perhaps would improve controls only in the long term. Despite this, the Ministry of Taxation did not take any steps to make sure that SKAT implemented compensating controls in the TRACE project period. The National Audit Office of Denmark also establishes that any TRACE solution would only solve the problem of control of the reimbursement of dividend tax on Danish shares held by foreigners in banks if they decided to implement TRACE. The Ministry of Taxation has stated that banks in the countries that would not implement TRACE could join the scheme. The scheme consequently depended on the source country implementing the scheme, that the banks would implement it and that the shareholders would use it. The National Audit Office of Denmark finds on this basis that TRACE alone would not be a satisfactory solution to the problem of SKAT's inadequate controls of reimbursement of dividend tax.

69. The National Audit Office of Denmark establishes that SIR's 2010 audit report that was prepared at the request of the head of the department of the Ministry clearly warned about problems with reimbursement of dividend tax. The National Audit Office of Denmark also establishes that SKAT and the Ministry of Taxation did not investigate neither as a follow-up on the audit report nor subsequently whether the reason for the low or negative net proceeds in the period 2006-2008 could be fraud or other wrongful reimbursement.

Second indication - letter from employee in October 2011

70. In October 2011, the Ministry of Taxation received a letter from a SKAT employee holding a central position in the organisation who had in-depth knowledge of the work relating to dividend tax and the OECD project TRACE. The employee pointed to serious problems with the control of reimbursement of dividend tax. The employee wrote that there was a risk of wrongful reimbursement of dividend tax as SKAT was unable to check the ownership of a part of the Danish shares held by foreigners. The employee also wrote that there was a risk of reimbursing dividend tax in respect of the same distribution several times as SKAT did not check whether a shareholder claimed back dividend tax through the form programme at the same time as the custodian claimed back dividend tax through the bank programme.

The Ministry of Taxation answered the letter by stating that they were working intensively to find a solution in an OECD context.

Third indication - letter from employee in November 2011

71. In November 2011, the same employee wrote to the Ministry of Taxation once again and expressed concern once again as, according to the employee, the TRACE project would take a very long time. The employee emphasised that the consequence was that the Ministry of Taxation did not follow up on the critical audit report from 2010 (the first indication). The employee indicated to the Ministry of Taxation that the reimbursement of dividend tax was made blindfolded. The Ministry of Taxation did not reply to the letter.

72. The National Audit Office of Denmark establishes that in 2011 the Ministry of Taxation was informed of the increase in the requests for reimbursement of dividend tax by an employee holding a central position in the organisation and that there were huge problems with the control in the area. According to the employee, the reimbursements of dividend tax were made blindfolded. The National Audit Office of Denmark also notes that the Ministry of Taxation was informed that a possible solution in an OECD context would take a very long time. The National Audit Office of Denmark finds that the Ministry of Taxation should have taken the letter seriously because of the nature of the letter.

73. The Ministry of Taxation has stated that the nature and contents of the two letters from the employee did not mean that they could be deemed to indicate fraud relating to reimbursement of dividend tax. The National Audit Office of Denmark agrees that the letters from the employee themselves do not indicate dividend tax fraud, but that the two letters indicate problems with reimbursement of dividend tax. The National Audit Office of Denmark notes in this regard that the employee wrote that it was difficult to check for fraud when reimbursing dividend tax.

Fourth indication - SIR's audit report from May 2013

74. As previously mentioned, SIR submitted an audit report regarding reimbursement of dividend tax in 2013. SIR concluded that SKAT's control of the requests for reimbursement through the bank programme were inadequate and that a description should be made of what was to be checked before a request was granted just as the basis for reimbursement was to be checked more thoroughly. SIR also recommended that SKAT should protect itself more from wrongful reimbursement of dividend tax.

75. The department of the Ministry of Taxation received the audit report from SIR on 31 May 2013. The Ministry of Taxation has stated that because of a regrettable handling error at the Ministry of Taxation the audit report was not considered by the Ministry. The National Audit Office of Denmark finds that procedures should have been in place at the Ministry of Taxation to ensure that a critical audit report was considered by the Ministry.

76. SIR's 2013 audit report deals first and foremost with reimbursement of dividend tax through the bank programme. However, the audit report pointed to a general need for SKAT to protect itself better from wrongful reimbursement of dividend tax. The main conclusion of the audit report was that overall SIR was of the opinion that the administration in the dividend and royalty area was not completely satisfactory.

The 2013 audit report also followed up on the results in the 2010 audit report regarding the lack of control of reimbursement through the form programme. It also appears from the report that the TRACE project had not solved the problems of checking the ownership of Danish shares held by foreigners.

Fifth indication - the National Audit Office of Denmark's auditors' report from August 2013

77. In August 2013, the National Audit Office of Denmark submitted an auditors' report about the Ministry of Taxation's 2012 accounts to the Ministry of Taxation which the Ministry noted. The auditors' report contained a reference to SIR's audit report from May 2013. The National Audit Office of Denmark establishes that the Ministry of Taxation was consequently informed of SIR's 2013 audit report.

Sixth indication – follow-up protocols from SKAT

78. The Ministry of Taxation has stated that since 2013 the Ministry has received SKAT's quarterly follow-up protocols from SKAT's executive board regarding SKAT's follow-up on SIR's 2013 audit report. In this way the Ministry of Taxation was able to follow SKAT's work of following up on the comment in the 2013 audit report about improved protection against wrongful reimbursement of dividend tax. The National Audit Office of Denmark establishes that SKAT's follow-up on the audit report from 2013 in the follow-up protocols from Q4 2014 was stated to be the work in TRACE that was to follow up on the problems with the form programme.

The National Audit Office of Denmark's investigation shows that the TRACE project ended in February 2013, but that the project was not implemented in Denmark or in any other countries, see paragraph 2.2. The investigation also shows that the department of the Ministry participated in the work with TRACE in a OECD context by participating in a working group.

It means that the Ministry of Taxation did not react to SKAT not actually working on improving the control of the reimbursement of dividend tax despite the Ministry participating in the TRACE working group, and the Ministry consequently knowing that the TRACE project had not solved the identified problems with reimbursement of dividend tax.

Seventh indication - SIR's 2014 audit report

79. In 2014, SIR presented the report "SKAT's follow-up on SIR's recommendations and identified non-corrected errors from previous years". The report contains a general status on SKAT's follow-up on SIR's recommendations, and it appears from the report that 57 out of a total of 107 recommendations from SIR were unfinished. SIR recommended in the report that SKAT gave a higher priority to the consideration of recommendations and focused on the identified non-corrected errors. It appears from SIR's analysis from 2015 that the recommendation of better protection against wrongful reimbursement of dividend tax was among the 57 unfinished recommendations. The National Audit Office of Denmark establishes that it was not an isolated occurrence that the Ministry of Taxation did not follow up on SIR's recommendations. The Ministry of Taxation has stated that the Ministry subsequently established a standard procedure for following up on reports from SIR.

The Ministry of Taxation has also stated that in the summer of 2014 it launched a thorough analysis of the department *Betaling og Regnskab* (payments and accounts) in SKAT. According to SKAT, the reason was a number of indications from the National Audit Office of Denmark, SIR and others that the risk of unintentional events in this area was particularly high. One of the results of the analysis was a recommendation to generally increase the control significantly and to establish a central accounting function as well as a number of other recommendations to improve the quality and organisation of the accounts in respect of section 38. The National Audit Office of Denmark finds that the initiatives are positive but also establishes that the initiatives have a long-term perspective and as a consequence do not solve the problems that SKAT currently have with reimbursement of dividend tax.

Eight indication - early warning about the risk of wrongful reimbursement

80. The Ministry of Taxation received an early warning about the risk of wrongful reimbursement of dividend tax in connection with share loans on 7 July 2015. The possible wrongful reimbursement of dividend tax in connection with share loans relates to another type of wrongful reimbursement and is assumed to have taken place independently of the assumed fraud through the form programme. The Ministry of Taxation has stated that the received early warning was not about fraud in connection with

reimbursement of dividend tax. The Ministry of Taxation has also stated that in accordance with the guidelines the Ministry made an assessment of the received early warning.

The National Audit Office of Denmark agrees that the received early warning was not necessarily about fraud in connection with reimbursement of dividend tax. But the National Audit Office of Denmark establishes that with this early warning the Ministry of Taxation was once again informed of possible problems with reimbursement of dividend tax and the need to look into the dividend area more thoroughly, including the development in the income from and the reimbursement of dividend tax.

Nineth indication - information from the public about assumed fraud

81. In the summer of 2015 SKAT and the Ministry of Taxation received information from the public about assumed fraud in connection with reimbursement of dividend tax. In the period after it received the information and until the payments were suspended SKAT reimbursed dividend tax in the amount of DKK 3.2 billion. SKAT suspended the disbursements on 6 August 2015.

Results

82. The National Audit Office of Denmark's investigation shows that the Ministry of Taxation's supervision of the reimbursement of dividend tax was completely inadequate and that the management did not focus on the area.

The Ministry of Taxation's supervision was fragmented and did not compare the information from its ordinary supervision with the indications of problems with the reimbursements of dividend tax that the Ministry received. If the Ministry of Taxation's supervision had been more proactive and if it had compared the information available, the Ministry would have recognised the need for a thorough review of the area. The investigation shows that very simple analyses of the development in the reimbursements of dividend tax would have indicated problems in the area.

The Ministry of Taxation did not look closely into the increase in the reimbursements of dividend tax despite the fact that the Ministry had received information through the approvals of the accounts from SKAT that in May 2015, for example, DKK 4.2 billion had been reimbursed which was DKK 2.8 billion more than in the same month the year before, the equivalent of an increase of 200%. SKAT also made the Ministry of Taxation aware through the approval of the accounts for June 2015 of an increase in the reimbursements of dividend tax and that year-to-date in June 2015 DKK 6.6 billion had been reimbursed compared to DKK 4.1 billion year-to-date in June 2014 and DKK 1.7 billion year-to-date in June 2013.

The National Audit Office of Denmark also establishes that based on the lists of income there was a negative development in the net income from dividend tax in 2014 when the net income was lower in seven consecutive months compared to the same months in 2013. Add to this that the total net income in

TRANSLATION

2014 was DKK 2.3 billion lower than in 2013 despite the fact that the income from dividend tax increased in the same period. The National Audit Office of Denmark also establishes that the net income from dividend tax in 2014 was directly negative for the first time and for a number of consecutive months with the exception of the annual set-off of corporation tax. Despite this fact, the Ministry of Taxation did not find that there was any reason to look closely into this development in connection with the Ministry's approval of the monthly lists of income.

Moreover, the Ministry of Taxation did not take a decision on and react to several indications of problems with reimbursement of dividend tax. In the period of the investigation the Ministry of Taxation received indications consisting of various reports on dividend tax from SIR, letters from an employee and an early warning about the risk of wrongful reimbursement of dividend tax in connection with share loans. Nothing in the National Audit Office of Denmark's investigation suggests that the Ministry of Taxation would have reacted if it had not received information from the public.

The National Audit Office of Denmark, 17 February 2016

Lone Strøm

/Peder Juhl Madsen

APPENDIX 1. THE DANISH PUBLIC ACCOUNTS COMMITTEE'S REQUEST

The investigation was launched at the Danish Public Accounts Committee's request.

The Danish Public Accounts Committee requested that the investigation uncovered the issues below. It is also specified where in the report the issues have been dealt with.

The Danish Public Accounts Committee has asked the National Audit Office of Denmark to	Where the issues are dealt with
review the result of the Internal Audit of the Ministry of Taxation's analysis of the control failure in connection with the reimbursement of dividend tax, including the most important reasons for the control failure.	Selected results from the Internal Audit of the Ministry of Taxation's analysis are dealt with in paragraph 2.2, but are also included as background information and source in paragraphs 2.1 and 2.3.
review the department of the Ministry of Taxation's supervision of SKAT's administration of reimbursement of dividend tax since 2010.	The Ministry of Taxation's supervision is dealt with in paragraph 2.3.
assess the follow-up by the management of SKAT and the Ministry of Taxation on comments and recommendations regarding reimbursements of dividend tax from the Internal Audit of the Ministry of Taxation and the National Audit Office of Denmark since 2010.	The follow-up by the management of SKAT and the Ministry of Taxation is dealt with in paragraphs 2.2 and 2.3 respectively.
assess the current procedures and controls in SKAT in connection with dividend tax, including assessing whether the data used and the system support have been adequate to check the requests for reimbursements from abroad. In that connection an examination is also requested of whether SKAT used performance-related pay or similar bonus schemes to process a large number of reimbursements.	SKAT's procedures and controls, including the data used and the system support in connection with the reimbursement of dividend tax is dealt with in paragraph 2.2. SKAT's use of performance-related pay or similar bonus schemes is dealt with in paragraph 2.2.

TRANSLATION

describe how SKAT calculated that the fraud amounted to approximately DKK 6.2 billion.

Following the request for an investigation from the Danish Public Accounts Committee, SKAT reported assumed fraud of an additional approximately DKK 2.9 billion.

SKAT's calculation of the assumed fraud of approximately DKK 6.2 billion and the subsequent reporting of an additional approximately DKK 2.9 billion are dealt with in paragraph 2.1.

APPENDIX 2: METHODOICAL APPROACH

The National Audit Office of Denmark's investigation is based on a review of the analysis by the Internal Audit of the Ministry of Taxation (SIR) of SKAT's administration of dividend tax and reimbursements of dividend tax from September 2015. The analysis was ordered by the Ministry of Taxation. SIR notes in the report that the analysis is not an audit in accordance with the international principles and standards for a public audit as, *inter alia*, SIR did not review the used accounting figures and information from SKAT. The analysis was only carried out to support the Minister for Taxation to assess SKAT's administration of dividend tax and the reimbursement of dividend tax in order to inform the Fiscal Affairs Committee of the Danish Parliament on this subject. We have based our investigation on the calculations in SIR's analysis. However, in connection with the hearing we have asked the Ministry of Taxation to verify the used calculations.

Meetings

We have held meetings with the Ministry of Taxation, SKAT and SØIK. The purpose of the meetings has been to receive supplementary explanations of the material that we have received and get a better understanding of parts of the area, for example the calculation of the assumed fraud.

Important documents

We have gone through a number of documents, including:

- SIR's analysis from 2015 of SKAT's administration of dividend tax and reimbursement of dividend tax
- SIR's 2010 and 2013 audit reports
- the monthly lists of income of the Ministry of Taxation
- SKAT's monthly approvals of accounts
- minutes and recommendations regarding SKAT's and the Ministry of Taxation's follow-up on reports from SIR and the National Audit Office of Denmark
- contracts on performance-related pay for SKAT's executive board
- the results from the National Audit Office of Denmark's annual audit and IT audit regarding dividend tax for the financial year 2015

TRANSLATION

- various memorandums/reports prepared by SKAT or the Ministry of Taxation at the National Audit Office of Denmark's request
- material from quarterly meetings
- questions from the Danish Parliament
- notifications of the Fiscal Affairs Committee of the Danish Parliament
- miscellaneous documentation from SIR.

Analyses of the development in reimbursement of dividend tax

Paragraph 2.2 contains analyses of the development in the reimbursements of dividend tax in the period 1 January 2010 - 5 August 2015 (figures 3-6). The Ministry of Taxation has stated that it is misleading to only look at the development in dividend tax in the period 2010-2015. The Ministry of Taxation has stated that if you look at the development over a long period of time, the development is not markedly different from fluctuations in the past. The National Audit Office of Denmark notes in this connection that the period of the investigation has been determined based on the Danish Public Accounts Committee's request and that the cut-off procedure in the analyses is the same as the one used in SIR's analysis from 2015. The National Audit Office of Denmark finds that the analyses based on data for the period 1 January 2010 - 5 August 2015 clearly point to the need to look into the area more closely.

The Ministry of Taxation has also stated that the method used by the National Audit Office of Denmark to carry forward reimbursement requests is fundamentally wrong as the majority of the requests for reimbursement are received in April, May and June which means that carrying forward the requests for reimbursement is misleading. The National Audit Office of Denmark notes in this connection that the carrying forward is based on the average number of applications received daily in the period 1 January 2015 - 5 August 2015 and establishes that July was the month in 2015 when the second highest number of reimbursements was made in the entire year and that in the first five days of August alone until the payments were suspended more reimbursements were made than in January, February and March 2015 combined. Against this background the National Audit Office of Denmark finds that the carrying forward illustrates how the development in the number of applications received through the form programme could have continued if SKAT had not received information from the public about assumed fraud and subsequently reacted by suspending the disbursements.

Analyses of lists of income

TRANSLATION

The National Audit Office of Denmark has gone through the Ministry of Taxation's lists of income for the entire period of the investigation to the Fiscal Affairs Committee and the Finance Committee of the Danish Parliament. Paragraph 2.3 includes analyses of the development in the net income based on information from the Ministry of Taxation's monthly lists of income in the period 2012-2014. The Ministry of Taxation has stated that the fluctuations in the income from dividend tax that the National Audit Office of Denmark reproduces in figures 7 and 8 have not necessarily not been seen before if you look at a longer period of time than the period used by the National Audit Office of Denmark. The National Audit Office of Denmark does not understand the Ministry of Taxation's objection and finds that if, for example, there is negative net income for several months in a row or if the total income year-to-date is less than in the same period the year before the Ministry of Taxation should look into the area more closely. The National Audit Office of Denmark adds that the Ministry of Income's lists of income compare the calculation of the net income with the preceding year. The National Audit Office of Denmark also notes that there was not any negative net income in 2010 and 2011 either with the exception of November when the corporation tax is set off and in May 2010 when the negative net income was caused by an extraordinary reimbursement of DKK 1.5 billion due to a court order. The National Audit Office of Denmark finds that based on the information from the lists of income in the period 2012-2014 the analyses clearly point to a need to look into the reason for the development more closely.

APPENDIX 3. GLOSSARY

Share loan(s)	The holder of a share may lend the share to another party. The share borrower has a right of disposal of the share for a period fixed in advance or until the share is recalled.
Bank programme	An agreement between SKAT and three banks that made it possible for the three banks to ask SKAT for reimbursement of dividend tax on behalf of foreign shareholders.
Form programme	When requesting reimbursement of dividend tax through the form programme, the shareholder is to submit a filled-in form to SKAT, requesting reimbursement of dividend tax.
Double taxation treaty	The various double taxation treaties determine the dividend tax that the shareholder is to pay in Denmark and in its home country. For shareholders resident in countries that have a double taxation treaty with Denmark it means that the foreign recipient of Danish share dividend may ask SKAT for reimbursement of the withheld dividend tax in whole or in part, depending on the wording of the double taxation treaty.
Early warning	A term for the system to deal with approaches to SKAT, the Ministry of Taxation or the Danish Tax Appeals Agency about loopholes in legislation or the like that is a threat to the Danish Treasury.
List of income to the Fiscal Affairs Committee and the Finance Committee of the Danish Parliament	Financial information about the net income from direct and indirect taxes for the month in question and for the same month the year before. The list of income also contains information about the income year-to-date and contains a comparison with the year-to-date the year before.
Net income from dividend tax	The income from dividend tax less reimbursement and offset corporation tax.
Omnibus account	An omnibus account that is typically owned by a foreign bank containing Danish shares held by individuals resident abroad. In such

TRANSLATION

	situations SKAT's IT systems do not contain any information about the individual holders of the shares, but only information to identify the owner of the omnibus account.
Follow-up protocols	Protocols made by SKAT and approved by the executive board of SKAT. The protocols give an overview of SKAT's work of following up on comments and recommendations from the Internal Audit of the Danish Ministry of Taxation (SIR).
Reimbursement of dividend tax	Repayment of paid excess dividend tax in respect of foreign shareholders under a double taxation treaty.
Approval of accounts	The final approval of the accounts for a period, for example a month or a quarter.
Probability check	An assessment of whether the income and expenses seem reasonable in the preceding period when taking into account the income and expenses in the last two financial years based on the development in the individual periods as well as year-to-date (probability check). As for any deviations that are examined in connection with the probability check, the explanations are to be substantiated or be attached as appendices.
The Internal Audit of the Danish Ministry of Taxation (SIR)	Section 9(1) of the Danish Statutory Order on the Audit of the National Accounts stipulates that it may be agreed that audit tasks under section 2(1), paras (1) and (2), of the Act may be carried out in a cooperation to be agreed in detail between the Auditor General and an internal audit body. According to the section 9 agreement between the Ministry of Taxation and the National Audit Office of Denmark the permanent secretary together with the head of audit make sure that the internal audit has the capacity and skills required at all times to perform the tasks in a manner that is satisfactory to the permanent secretary and the National Audit Office of Denmark.
TRACE project (Treaty Relief and Compliance Enhancement)	An OECD project with the object of establishing a system where net withholding of dividend tax is made automatically under the rele-

TRANSLATION

	vant double taxation treaty in connection with the distribution of dividend to foreign shareholders. Reimbursement is not made in connection with net withholding of dividend tax.
Dividend tax	Tax on shareholders' dividend from shares in Danish companies.
VP programme	An agreement about net withholding of dividend tax in respect of foreign investors. Was administered by VP Securities (the Danish central securities depository).